Gaining Shelter from the Storm – A Finance Labor Model Tailor-Made to Manage Crises

What happens to your finance organization – specifically, the critical processes, activities, reporting and deadlines for which you're responsible – when your team is suddenly unavailable, unable to work in the office or remotely? Such situations have unfolded with blinding speed during the COVID-19 global pandemic. However, they can just as easily result from other potential emergencies that prevent the finance team from managing vital and time-sensitive business-as-usual activities.

A pandemic-type crisis such as the one CFOs are confronting now is threatening the timely execution of these activities in highly unique ways. For example, organizations may:

- Lack information needed to assess their ability to develop and produce quality financial reports with staff members distributed and/or disconnected due to health and safety considerations.
- Lack the necessary tools and technologies – for example, laptops, virtual private networks, cloud-based applications, collaboration tools – to work remotely.
- Lack plans and methodologies to transition to a virtual workplace in an agile manner in order to perform their work and meet critical deadlines.

CFOs and finance leaders who have been among the quickest to develop solutions to their distinctive challenges, both prior to and during the COVID-19 crisis, are alike in one crucial respect: They share an understanding of the speed, flexibility and value delivered when they have a blended team of full-time internal resources working side-by-side with contractual staff and specialized consultants – a **managed services approach** that, long-term, is becoming paramount in today's dynamic business climate and is even more valuable during unforeseen events like a global pandemic.

Prior to the COVID-19 global crisis, a growing number of finance and accounting functions were turning to a managed services model to address key finance areas, deploying a range of non-full-time-equivalent resourcing approaches to staff larger portions of their tax, accounting, risk management, strategic finance (M&A) and treasury functions. More have turned successfully to a managed services model this year in response to pressing demands on the business and finance workforce and/or vendors that suddenly became unavailable.

The advantages and benefits are real. Faced with the challenge of team members unable to come to work during the global pandemic and without the necessary technology tools and infrastructure to work remotely, a managed services solution has enabled CFOs and finance teams to keep accounting and finance activities moving forward even as offices have been locked down by government-mandated shelter-in-place/stay-at-home directives. Leveraging a managed services model, they are performing time-sensitive stabilization and recovery needs and sustaining ongoing transformation initiatives and projects while freeing up internal resources to focus on more direct efforts to support and manage the organization's crisis response.

Many finance leaders remain unfamiliar with the managed services model and the benefits it delivers. Below, we highlight the advantages of this model and the trends driving its use, share examples of how this approach is being deployed today, and equip finance executives with a set of criteria to evaluate when considering a managed services approach.

Planning for the Unplanned

CFOs and finance leaders often face challenges in trying to optimize staffing levels. Predictably, a finance team often proves to be too small when workloads peak (sparking a time-intensive scramble for resources) and too large when business slows. A steady stream of new challenges and opportunities – new regulations, mergers or acquisitions, financial software and advanced technology implementations, expansion into new markets, digital transformation, supply chain disruptions, and the like – typically create sudden demands for new and often specialized finance and accounting skills. Factor in greater worker mobility, the emergence of the on-demand economy and unplanned events, and building a highly skilled and experienced, yet also flexible, finance function becomes even more of a challenge.

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Finance leaders have an opportunity to build a more flexible finance department that will enable them to plan for the unplanned. Through this approach, they can change the size and skill mix of their function to respond in an agile manner to shifting business conditions – including the option to engage a virtual workforce, a need that's become all the more critical in 2020. At the same time, there are new opportunities to bring in adaptable, entrepreneurial people to participate as members of a company's collaborative professional core, or to operate as part of a contingent labor force or as long-term contractors, applying their specialized skills to tasks and projects as needed.

To build this new managed services model most effectively, many CFOs have cultivated relationships with external partners, developing a source of talent and expertise with deep and nuanced knowledge of their organization's people, processes, technology and culture. That familiarity provides finance and accounting functions with on-demand access to experts and resources who can address particular short-term needs or tackle complex, unique and one-off situations. In addition, these individuals provided through external partners typically are capable of working remotely, thus can provide support at any time and from any location.

Partner firms that deploy a managed services model provide organizations with (1) the operational expertise needed to enhance an organization's professional core; (2) subject-matter expertise and consulting services that apply a combination of specialized skills and earned organizational knowledge; and (3) the ability to oversee activities remotely and ensure productivity and quality of work. These firms typically have a more efficient and better-informed onboarding process along with the ability to launch or move into projects quickly. This model helps finance leaders avoid overhiring or unduly burdening employees.

Three Cases for Effective Solutions in a Crisis

Consider these real-life examples of companies caught in a resource crisis:

- The CFO with a financial services organization needs temporary accounting resources to address critical daily transactions and align resources across several U.S. locations on a remote basis.
- At an oil field services company, the CFO needs to set up a team rapidly to process accounts payable transactions previously handled by a team in India that is now offline.
- The CFO of a retail pharmaceutical operation requires immediate assistance with collections activities that were previously conducted in Latin America.
- A financial services CFO needs a large team to perform an initial assessment of credit card charge disputes for possible escalation – the team must fill a void left by U.S.-based employees who are prevented from traveling to their facilities and are unable to work remotely.

The swiftness and scale of the COVID-19 global pandemic has resulted in a critical mass of complex, unique and one-off situations. The crisis has created daunting tests to organizational resiliency as well as opportunities to embrace dramatically new approaches to staffing models, supply chain management, business continuity and more.

While most, if not all, of these challenges are well-suited to the strengths of the managed services model (speed, agility, flexibility, virtualization), as noted earlier, many finance and accounting functions were leveraging this new labor model well before the pandemic materialized. They deployed the model to quickly ramp up new capabilities, operate in a leaner fashion, scale up and down more cost-effectively, and enhance resilience.

Crises have a way of accelerating changes looming on the horizon, and the pandemic has certainly had this effect on finance departments as CFOs seek ways to swiftly address a steady procession of complex and unique challenges. Following are situations CFOs and finance departments have faced as a result of the COVID-19 global pandemic:

- **Government-mandated lockdowns that close offices:** Throughout a large part of the world, government-mandated lockdowns have halted mission-critical finance and accounting operations for many companies. There are numerous instances in which employees cannot work in their offices and do not have access to the connectivity, hardware and infrastructure required to work remotely. These office closures, combined with an inability to stand up virtual teams, can prevent finance functions from processing hundreds of millions of dollars in transactions each day. That makes it necessary for a managed services solution that can bring teams of 20, 50 or more specialists online as soon as possible to sustain and adjust (up or down) those operations for an unknown duration.

- **Sustaining major projects and initiatives in crisis mode:** A large number of finance and accounting functions had major technology implementations and other large-scale initiatives underway, or about to commence, prior to the pandemic. Now that these functions have switched into crisis-containment and continuity management mode, finance leaders may need to pull staff from those initiatives, which undoubtedly will stall them, despite their long-term importance. By quickly handing off those projects to trusted partners with existing knowledge of the business and its culture, CFOs and finance leaders can allocate more resources to pressing stabilization and recovery needs.
- **The sweeping transition to a remote working model:** Among many other milestones, the past month featured what likely ranks as the quickest and most sweeping shift to a remote labor model in the history of business. While it remains uncertain how long this shift will last, it's clear that at least some organizations, including their finance and accounting groups, are better equipped to stand up and manage virtual teams than others due to a range of industry and structural factors. We've seen finance leaders consider a managed services model as a way to speed and improve the effectiveness of the move to a virtual workplace (e.g., via implementations of cloud-based workflow tools).

Those and other examples of COVID-19-driven crises require CFOs and their partners to develop tailored and nuanced solutions in an expedited manner.

Custom approaches to any challenge, let alone crisis-driven issues, traditionally require significant time to design, and as we all know, time is in short supply at the moment. Finance leaders cannot invest days or weeks sifting through résumés, scrutinizing new vendors or evaluating lengthy proposals to solve time-critical problems. They need solutions that reflect and leverage knowledge of their finance function's unique structures, talent and culture, and that can meet critical deadlines around finance processes and reporting. CFOs and finance leaders also need to trust their solution provider to marshal all of the resourcing associated with implementing the solution.

In Closing

The story of how companies and their finance and accounting functions responded to the COVID-19 pandemic has just begun. Organizations and their stakeholders who are most likely to shape their narratives in a positive direction will be those who understand and leverage the benefits of the new finance labor model that leverages a managed services approach.

For further insights, visit www.protiviti.com/COVID-19 and www.protiviti.com/MBS.

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